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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

S & L VITAMINS, INC., Plaintiff/Counterclaim Defendant, v. AUSTRALIAN GOLD, INC., Defendant/Counterclaim Plaintiff.	Civil Action No. 05 CV 1217 (JS)(ML)
AUSTRALIAN GOLD, INC., Third Party Plaintiff, v. Larry Sagarin and John Does, 1-10, Third Party Defendants.	

AUSTRALIAN GOLD'S RULE 56.1 STATEMENT

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Pursuant to Local Rule 56.1 and the motion practices of this Court, Defendant/Counterclaim Plaintiff Australian Gold, Inc. ("Australian Gold") respectfully submits this statement of material facts as to which it contends there is no genuine issue and that entitles it to judgment as a matter of law.

MATERIAL FACTS

1. Plaintiff/Counterclaim Defendant, S&L Vitamins, Inc. ("S&L Vitamins"), is a New York corporation, having its principal place of business at 308 East Montauk Highway, Lindenhurst, New York. (Complaint ¶ 1.)

2. S&L Vitamins is in the business of selling discounted sports supplements, nutritional supplements and other products, including tanning lotions. (Complaint ¶ 8.)

3. Defendant/Counterclaim Plaintiff, Australian Gold, Inc. ("Australian Gold"), is an Indiana corporation having its principal place of business 6270 Corporate Drive, Indianapolis, Indiana. (Amended Counterclaims ¶ 1.)

4. Australian Gold is a leading manufacturer of premium quality tanning lotions and related products for use in indoor and outdoor tanning, which are sold and distributed throughout the United States and the world. (Amended Counterclaims ¶ 2.)

5. Australian Gold sells its tanning products under the brand names Australian Gold®, Swedish Beauty® and Carribean Gold®. (Ex. A).

6. Additional trademarks are used in connection with specific tanning products in each of the three product brands. Australian Gold is the owner of the numerous federally registered trademarks (Ex. A) used in connection with its tanning products, including:

Trademark	**Registration No.**	**Goods**
AUSTRALIAN GOLD	1046627	sun-screen lotion

AUSTRALIAN GOLD	1637325	skin care preparations, namely suntanning and moisturizing creams and lotions
SWEDISH BEAUTY	1928801	cosmetic preparations; namely, tanning accelerator lotions.
CARRIBEAN GOLD	1626563	suntan lotion
AMARETTO	2460088	sun tanning preparations
BEACH IN A BOTTLE	2805539	suntanning preparations
BLAZIN'	2813783	suntanning preparations
BRONZING FIRE GLAZE	2751259	suntanning preparations
BROWNING FURY	2615956	suntanning preparations
CHOCOLATE INDULGENCE	2630659	suntanning preparations
CHOCOLATE TEMPTATION	2847976	suntanning preparations.
DANGEROUSLY DARK	2867616	suntanning preparations
DARK FIRE	2743410	suntanning preparations
FAST ACTION	2273959	suntanning preparations
FAST BROWN	2744672	suntanning preparations
FROSTED HEMP	2744671	suntanning preparations
GOLDEN BRONZING GLAZE	2541714	suntanning preparations
GOLDEN GLAZE	2480954	suntanning preparations
GOLDEN TINGLING GLAZE	2722211	suntanning preparations
HOT AMARETTO	2867617	suntanning preparations
HOT!	1961084	suntanning preparations
ICED CRÈME	2373618	suntanning preparations.
INTIMIDATION	2856626	suntanning preparations
SAFIRE	2751260	suntanning preparations.

SINFUL	2384202	suntanning preparations
SMOKIN'	2716327	suntanning preparations
SMOOTH SOFTIE	2854529	suntanning preparations
SWEDISH BRONZING CRÈME	2743478	suntanning preparations
SWEDISH INTENSIFIER	2400983	sun tanning preparations
THRUST	2005289	suntanning preparations
WILD	1993799	suntanning preparations
YOU WISH!	2744670	suntanning preparations

7. At least the following registered trademarks have obtained incontestable status pursuant to 15 U.S.C. § 1065, through Australian Gold's continuous use in commerce of each of these trademark for at least five years following the original date of registration: AUSTRALIAN GOLD (Reg. Nos. 1,046,627 and 1,637,325), SWEDISH BEAUTY (Reg. No. 1,928,801), CARIBBEAN GOLD (Reg. No. 1,626,563), FAST ACTION (Reg. No. 2,273,959), HOT! (Reg. No. 1,961,084), ICED CREME (Reg. No. 2,373,618), SINFUL (Reg. No. 2,384,202), SWEDISH INTENSIFIER (Reg. No. 2,400,983), THRUST (Reg. No. 2,005,289), and WILD (Reg. No. 1,993,799). (Ex. A.)

8. To further promote its goods, Australian Gold has created original and distinctive artwork for the labels of its tanning products and has obtained numerous federal copyright registrations therefor (Ex. B), including:

Product / Title of Registration	**Registration No.**
Forever After	VA 1-309-535
Cheeky Brown	VA 1-309-533
Body Kisses	VA 1-309-530

Bearly Legal	VA 1-309-534
Unforgiven	VA 1-309-536
Sun Dreams	VA 1-309-531
Simply Divine	VA 1-309-529
Pink Diamond	VA 1-309-537
Free Spirit	VA 1-309-532

9. To ensure the proper use of its tanning products and to protect their reputation as a provider of premium quality goods, Australian Gold only authorizes the sale of its tanning products to the public through tanning salons. (Ex. C, Dep. L. Hartlieb at 32:23-33:5.)

10. Australian Gold's tanning products are sold to tanning salons through a distribution network. (Ex. C, Dep. L. Hartlieb at 33:6-12.)

11. Each distributor must enter into a distribution agreement that restricts the resale of Australian Gold's products to "a salon environment where they have tanning as a majority of their business" (hereinafter "Distributorship Agreement") (Ex. C, Dep. L. Hartlieb at 38:13-19, 46:1-9).

12. In addition, the Distributorship Agreement requires that the distributor work with [Australian Gold] on training both their staff and the salons that they sell to" (Ex. C, Dep. L. Hartlieb at 46:1-9).

13. Australian Gold provides extensive training to its distributors and to tanning salons in the proper use of its tanning products. (Ex. C, Dep. L. Hartlieb at 83:17-21.)

14. Australian Gold maintains a training department that meets with and sends trainers to tanning salons to instruct salon owners, managers and employees in the proper use of

Australian Gold's products. (Ex. C, Dep. L. Hartlieb at 83:17-84:2; Ex. D, Australian Gold Resp. to Interrog. No. 9.)

15. In a typical year, Australian Gold's training department meets with and trains over 30,000 people and conducts over 600 presentations. (Ex. C, Dep. L. Hartlieb at 83:17-84:2; Ex. D, Australian Gold Resp. to Interrog. No. 9.)

16. To date, Australian Gold has spent well in excess of $1.5 million in training. (Ex. D, Australian Gold Resp. to Interrog. No. 9.)

17. Australian Gold requires its distributors to participate in training programs and to make their sales associates available twice a year for additional training. (Ex. D, Australian Gold Response to Interrogatory No. 9; Ex. C, Dep. L. Hartlieb, Distributorship Agreement (Ex. 2).)

18. Distributors are further required to attend two seminars each year regarding the training of tanning salons in the proper use of Australian Gold's products. (Ex. D, Australian Gold Response to Interrogatory No. 9.)

19. In addition, Australian Gold hosts a yearly distributor's council, in which it provides additional training to its distributors. (Ex. D, Australian Gold Response to Interrogatory No. 9.)

20. Australian Gold takes numerous steps to ensure that its tanning products are sold to the public only through authorized tanning salons, where consumers can receive proper guidance and training in the use of Australian Gold's products. (Ex. C, Dep. L. Hartlieb at 57:1-16.)

21. Australian Gold routinely performs "store checks" to ensure that its products are being sold to businesses operating as tanning salons as defined in its distributor agreement. (Ex. C, Dep. L. Hartlieb at 57:1-16.)

22. Furthermore, Australian Gold does not authorize the sale of its products through the Internet. (Ex. C, Dep. L. Hartlieb at 40:11-18.)

23. Australian Gold's contract with its distributors further prohibits the sale of Australian Gold's products "to any person or entity which markets, distributes or sells Products on the Internet" (Ex. C, Dep. L. Hartlieb at 87:5-22.).

24. Australian Gold similarly takes steps to maintain the reputation and integrity of its tanning products by actively policing the sale of its products on the Internet or by non-tanning salons. (Ex. C, Dep. L. Hartlieb at 121:17-122:5.)

25. Australian Gold monitors the content of its distributors' Internet web site to ensure that it does not include any "pricing, discounts, anything regarding to the sale of the product" (Ex. C, Dep. L. Hartlieb at 90:13-91:14).

26. Australian Gold further maintains and provides to its distributor network a "do not sell list" of persons who are not authorized to sell Australian Gold products, mainly comprising "unauthorized Internet or unauthorized distributors in general … distributors who aren't authorized to distribute our products or Internet flea markets, beauty shops … beauty supply stores that don't have tanning in general." (Ex. C, Dep. L. Hartlieb at 8-25).

27. S&L Vitamins sells tanning lotions and other products to the public through the Internet and its location in Lindenhurst, New York. (Ex. E, Dep. S. Mercadante at 177:16-179:7, 181:13-24, 225:9-17.)

28. These products include Australian Gold's full line of tanning products, including the Australian Gold®, Swedish Beauty® and Caribbean Gold® product brands. (Ex. F, Dep. L. Sagarin at 126:2-13.)

29. Australian Gold's tanning products represent a substantial portion of S&L Vitamins' overall business. (Ex. E, Dep. S. Mercadante at 197:15-198:20.)

30. Australian Gold® brand name products are S&L Vitamins' number one selling line of tanning lotions, comprising 20% to 40% of S&L Vitamins overall sales of tanning products. (Ex. E, Dep. S. Mercadante at 195:13-196:7; Ex. F, Dep. L. Sagarin at 71:21-72:5.)

31. Swedish Beauty® brand name products comprise an additional 10% of S&L Vitamins sales of tanning products. (Ex. E, Dep. S. Mercadante at 195:13-196:7; Ex. F, Dep. L. Sagarin at 72:12-15.)

32. In addition, sales of Australian Gold's tanning products are more profitable for S&L Vitamins than sales of supplements and other products. (Ex. E, Dep. S. Mercadante at 160:25-161:20.)

33. S&L Vitamins does not qualify as an authorized dealer of Australian Gold's tanning products because S&L Vitamins does not offer any tanning salon services nor does it have any intention to install any tanning beds in its retail location. (Ex. E, Dep. S. Mercadante at 87:18-20; Ex. F, Dep. L. Sagarin at 148:5-10.)

34. S&L Vitamins does not receive or otherwise participate in any instruction or courses in indoor tanning safety. (Ex. G, Dep. M. Nierman at 51:25-52:8.)

35. Furthermore, S&L Vitamins sells Australian Gold's products almost exclusively through the Internet. (Ex. E, Dep. S. Mercadante at 225:9-17.)

36. S&L Vitamins does not order products from a distributor because it wants to circumvent Australian Gold's distribution network. Instead, S&L Vitamins obtains Australian Gold's tanning products from a handful of tanning salons that act as conduits for S&L Vitamins' acquisition of the products. Generally, these tanning salons will order products for S&L

Vitamins and charge S&L Vitamins 10-20% over their cost from the distributor. (Ex. E, Dep. S. Mercadante at 101:23-102:7; 103:20-104:18; 124:7-14; 158:12-159:14; Ex. F, Dep. L. Sagarin at 58:10-16, 60:22-61:11.)

37. S&L Vitamins subsequently sells Australian Gold's tanning products over the Internet at a substantial discount -- roughly 50% of the retail price available through authorized tanning salons. (Ex. J.)

38. S&L Vitamins operates through the Internet under the name "The Body Source" and is the owner of the Internet domain name addresses "thesupplenet.com" and "bodysourceonline.com." (Ex. E, Dep. S. Mercadante at 94:24-95:17; Ex. F, Dep. L. Sagarin at 49:22-50:1.)

39. Both of these Internet addresses direct the user to the same "BodySourceOnLine.Com" web site. (Ex. E, Dep. S. Mercadante at 95:13-17; Ex. F, Dep. L. Sagarin at 49:22-50:1.)

40. Each page of the web site prominently features the names "The Body Source" and/or "BodySourceOnLine.Com," as well as a logo comprising an inverted triangle containing the words "Body Source" and a spiral design (the "Body Source logo"). (Exs. H-L.)

41. S&L Vitamins' "BodySourceOnLine.Com" web site contains a number of links that direct the user to a listing of all products according to brand name, including links identified by Australian Gold's trademarks AUSTRALIAN GOLD, SWEDISH BEAUTY and CARIBBEAN GOLD. (Ex. H.)

42. Each brand name link directs the users to a listing of the relevant products offered for sale by S&L Vitamins. In particular, the "Australian Gold," "Swedish Beauty" and

"Caribbean Gold" links direct the user to a thumbnail product listing of Australian Gold's goods in its Australian Gold®, Swedish Beauty® and Caribbean Gold® product brands. (Ex. I.)

43. S&L Vitamins' thumbnail product listings identify Australian Gold's goods using Australian Gold's registered trademarks. (Ex. I.)

44. Several of Australian Gold's trademarks corresponding to its Swedish Beauty® brand products are marked with either notice of registration using the "®" symbol, or notice of trademark using the symbol "TM." (Ex. I.)

45. However, nowhere in S&L Vitamins' "BodySourceOnLine.Com" web site is Australian Gold identified as the owner of the trademarks and trademark registrations. (Exs. H-L.)

46. Despite S&L Vitamins' use of notice of trademark registration on Australian Gold's Swedish Beauty® products, S&L Vitamins' "BodySourceOnLine.Com" web site fails to mark any of Australian Gold's other registered trademarks, including the trademarks AUSTRALIAN GOLD, SWEDISH BEAUTY and CARIBBEAN GOLD or any of registered trademarks used in connection with Australian Gold's Australian Gold® and Caribbean Gold® brand products. (Exs. H-L.)

47. Each entry in S&L Vitamins' thumbnail listing of Australian Gold's products contains a further link to a specific product page that contains a brief description of the particular product, a larger image of the product, a comparison of the retail and discounted sales price of the product, and an "Add to cart" option that allows the user to purchase the product. (Ex. J.)

48. The product descriptions on S&L Vitamins product pages are copied directly from Australian Gold's descriptions of its tanning products. (Ex. E, Dep. S. Mercadante at 191:2-8.)

49. Each specific product page contains a further link to a full-sized image of the relevant Australian Gold product. (Ex. K.)

50. These full-sized images reproduce Australian Gold's copyrighted label artwork set forth in Paragraph 5 above (Ex. B), and were intended to copy Australian Gold's own photographs of its products used on Australian Gold's web site "australiangold.com." (Ex. F, Dep. L. Sagarin at 52:17-22.)

51. Each full-sized image of Australian Gold's products is modified by the addition of S&L Vitamins' stylized "BodySourceOnline.Com" trade name and Body Source logo, which are positioned adjacent to or superimposed over the image of the product. (Ex. K.)

52. In addition, the phrase "All Rights Reserved," appears directly beneath the image of the product. (Ex. K.)

53. Despite the use of the phrase "All Rights Reserved," S&L Vitamins' "BodySourceOnLine.Com" web site does not provide any notice of Australian Gold's copyrights. (Ex. K.)

54. S&L Vitamins' thumbnail product listings and specific product pages include a brief disclaimer at the bottom of the web page, which states:

> Tanning Lotion Disclaimer Body Source is Not affiliated with ANY Tanning Lotion manufacturer. To see full Disclaimer Click here. (Exs. I, J.)

55. The S&L Vitamins' "full Disclaimer" is accessible through a further link and is presented on a yet another web page, and reads:

> BodySourceOnline.com - Body Source, is an independent distributor. BodySourceOnline.com is not associated with, affiliated with nor do we represent any manufacturer or distributor of any Tanning products displayed on it's [sic] Web sites. BodySourceOnline.com is not approved by nor authorized by any manufacturer or distributor to sell any of the tanning products displayed on this Web site. The product names used in this web site are for identification purposes

only. All trademarks and registered trademarks are the property of their respective owners. (Ex. L.)

56. Neither S&L Vitamins' brief disclaimer nor "full Disclaimer" identify Australian Gold or any of Australian Gold's specific trademarks or copyrights. (Ex. E, Dep. S. Mercadante at 188:6-8; Exs. I, J, L.)

57. S&L Vitamins' web pages showing the full-sized images of Australian Gold's products do not contain either the brief or full version of the "Tanning Lotion Disclaimer," nor any other disclaimer. (Ex. K.)

58. S&L Vitamins promotes its sales of Australian Gold products by paying for placement advertising in the Internet search engines Yahoo and Google with respect to the terms "Australian Gold" and "Swedish Beauty" (Ex. F, Dep. L. Sagarin at 101:13-103:11, 105:19-25, 106:5-107:14, 126:14-128:19.)

59. For example, because of such advertising, when the Yahoo search engine is used to search for the term "australian gold" and "swedish beauty" on the Internet, S&L Vitamins' "thesupplenet.com" web site appears as high as first in a list of sponsored web sites. (Ex. M, Mercadante Dep. Exs. 8 and 9, Ex. F., Dep. L. Sagarin at 101:13-103:11).

60. In addition to placement advertising, S&L Vitamins' "BodySourceOnLine.Com" web site contains HTML source code that incorporates various metatags, including the trademarks AUSTRALIAN GOLD, SWEDISH BEAUTY and CARIBBEAN GOLD. (Ex. F, Dep. L. Sagarin at 129:19-131:11; and Ex. 1 thereto).

61. The use of metatags corresponding to Australian Gold's trademarks increases the prominence of S&L Vitamins' "BodySourceOnLine.Com" web site in the listing of results of Internet searches -- e.g. Yahoo or Google searches -- when Australian Gold's trademarks are used as the search terms. (*Id.*)

62. S&L Vitamins applies a label to the actual Australian Gold products that it sells and distributes, which reads: "Remember to re-order at www.bodysourceonline.com." (Ex. C, Dep. L. Hartlieb at 92:11-93:16; Ex. 5 thereto).

63. S&L Vitamins' advertisement of Australian Gold's products on its "BodySourceOnLine.Com" web site and its labeling of Australian Gold's products has caused customer confusion as to whether S&L Vitamins is the source or an authorized dealer of Australian Gold's products. (Ex. C, Dep. L. Hartlieb at 92:11-93:16; Ex. 5 thereto).

64. S&L Vitamins has sold and continues to sell Australian Gold's tanning products despite having knowledge that it is not authorized to sell such products, and that Australian Gold prohibits the sale of its tanning products through the Internet. In a letter dated January 15, 2004, Australian Gold advised S&L Vitamins of the prohibition on Internet sales and requested that S&L Vitamins cease and desist from selling Australian Gold's tanning products. (Ex. C, Dep. L. Hartlieb at 101:3-14.)

65. S&L Vitamins was further provided with a copy of Australian Gold's distributor contract, indicating that sales of Australian Gold's tanning products is only authorized through tanning salons and that Internet sales are prohibited. (Ex. F, Dep. L. Sagarin at 150:3-153:8.)

66. S&L Vitamins also has knowledge that the "Body Source" is listed on Australian Gold's "do not sell list," which is a listing of persons that are explicitly prohibited from receiving Australian Gold's tanning products that is distributed by Australian Gold's network of authorized distributors. (Ex. C, Dep. L. Hartlieb at 136:11-25; Ex. F, Dep. L. Sagarin at 146:22-147:22.)

67. S&L Vitamins' unauthorized sale of Australian Gold's tanning products has damaged the reputation of such products and the goodwill in Australian Gold's brand names and trademarks. (Ex. C, Dep. L. Hartlieb at 121:11-122:5, 138:14-139:14.)

68. Furthermore, S&L Vitamins' Internet sales have resulted in customer complaints and have caused Australian Gold to lose sales and to incur additional promotional costs to protect the integrity and reputation of its customers. (Ex. C, Dep. L. Hartlieb at 140:22-144:8.)

69. S & L Vitamins initiated this lawsuit against Australian Gold. (Dep. S. Mercadante at 205:13-16; Complaint).

70. S & L Vitamins has sustained no quantifiable damages. (Dep. S. Mercadante at 203:13-16; 204:8-10).

71. Australian Gold incorporates by reference its Response to Plaintiff's Statement of Material Facts pursuant to Local Rule 56.1, served contemporaneously herewith.

New York, New York
September 28, 2006

Respectfully submitted,

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